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RV BUSINESS

MAR/25
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s Report Scams on the Rise

Dealers in the South and other Sun Belt areas are reporting increased competition from unlicensed, fly-by-night trailer sales operations.

"The perception has been that this is a problem that has died down in recent years," said Russ Poehlman, president of Tri-Am RV Center, in Ocala, Fla. "In fact, nothing could be further from the truth. If anything, the problem is increasing; each quarter, we are finding more and more activity from the people running these sales scams. It's costing us money in lost sales, but it also has to be costing the state hundreds of thousands of dollars in lost tax and license revenue."

For those who still might not be familiar with the scenario, the typical trailer scam goes like this: An individual or family buys one or more trailers from a manufacturer. The trailers are then taken to a prime RV-vacation area and displayed one at a time or together in a campground. Classified advertisements are placed in local newspapers, generally stating that the trailer is being sacrificed in a sale that has been prompted by a death or illness in the seller's immediate family. The trailer, which may actually have wholesaled for about $5,000, is represented as marked down from $15,000 to $10,000.

Poehlman pointed out that these scams leave the local, legitimate, licensed dealer at a

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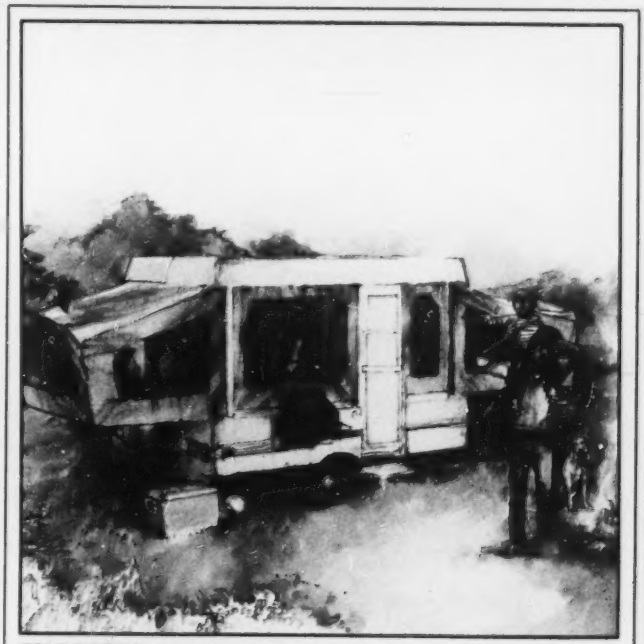

FOLD-DOWNS: Coming off 1987's dramatic sales expansion, optimistic manufacturers of folding camping trailers describe why they expect continued growth in the year ahead. See page 32.

Chrysler Foresees '89 Recession, May Drop Planned 'C' Chassis

Chrysler Corp. may postpone introducing its new Class C motorhome chassis this fall because of a potential recession in 1989 which, the company believes, will hit hardest in the large van/wagon market, said company officials.

Chrysler's new Class C chassis program has been approved and "is ready to go; the only question is timing," said a company official. "We're potentially looking into the teeth of a recession, and this may not be the time to do it. That whole subject is under very active study right now."

Detroit, Mich.-based Chrysler anticipates that vehicle sales in 1988 will be off less that 10% from last year and that there will be a mild recession in 1989. However, a mild recession in the car/truck market will mean a severe recession in the large van/wagon business, including the RV-chassis market, according to company sources. They point out that, traditionally, this market has been extremely cyclical, much more cyclical than the overall vehicle market.

"So, we're looking at the situation. We're watching it. We

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Private Labeling By Coast RV Targets Hitches

San Jose, Calif.-based distributor Coast RV Inc. is accelerating sales efforts for its privately labeled Husky trailer-hitch and hitch-parts line, with the intention of markedly increasing its share of the trailer-hitch and hitch-parts market, confirmed Coast RV officials.

"1988 is going to be the year of the hitch wars," declared Jeff Few, an engineer with Eaz-Lift Spring Corp., Mansfield, Texas, which manufactures the Husky brand for Coast RV.

Husky products are sold exclusively to Coast and are often simplified versions of existing Eaz-Lift products so that the manufacturer's costs are significantly reduced, explained Few. And Eaz-Lift is now expanding the Husky line to include a full range of individually packaged hitch components, he noted.

"That allows Coast's dealers to offer a very competitively priced, full line," said Few.

"We're very interested in hitches because it's not a cohesive market," added David Berger, Coast RV director of purchasing. "So many competing brands are confusing to customers."

Berger sees the current brand confusion as giving an advantage to Coast RV's individually packaged components bearing the easily identified Husky logo. "Many competing parts are shipped to retailers in bulk, and customers have to sort through things that aren't

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MARCH 25, 1988 TWO DOLLARS

RV BUSINESS

VOLUME 38, NUMBER 24

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COVER ILLUSTRATION: JODY EASTMAN

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DAB PERSPECTIVE

JANUARY SALES MOSTLY POSITIVE

GAYLORD MAXWELL

January 1988 started out with some very positive signs on the retail front, according to the Dealer Advisory Board (DAB), but there were also a few signs that weren't so positive.

Motorhome dealers, particularly the larger ones, had an exceptionally good month compared to January of last year, but all categories of towables and truck campers were off the pace in new units. However, used sales were up in three categories, and, in terms of dollars, well ovér half of DAB members reported increases. Larger dealers generally did better than smaller ones.

Profit ratings were quite mixed, but they tended to be a little more on the high side for both new and used units. It was the same story for service and accessory profits; there were very mixed reports, but with more dealers placing profits slightly on the high side. Bottom lines, however, didn't fare so well. The most frequently marked column was the poor one, but that is mostly typical for January.

About a third of DAB members indicated that lot traffic was high, as was the number of new buyers. Apparently, there were many lookers, and many of them were new to the RV marketplace, which is a very good sign.

These January figures should not be interpreted as greatly significant. One month, especially a month when weather can have a very great bearing on sales, does not set a trend. Yet, when four new-unit categories—including all three towable categories—showed negative figures for the month, one had to wonder. Hopefully, the February numbers will be greatly different.

Motorhomes

Eighteen of the DAB members stock motorhomes, and 12 were up in sales of new units in January. However, four of the largest dealers on the board accounted for 30 of the 36-unit January increase in sales. Most of the smaller dealers were close to, or slightly behind, the sales of last year. Indications were that the motorhome market was increasing, but that most of the new business was being conducted by fewer dealers—the big guys.

More than half of the motorhome dealers described profits as good on new units.

Travel Trailers

The new-trailer sales totals for the DAB in January were almost identical with those of last January. However, those totals don't reflect the fact that, this January, most smaller dealers were down from the previous year.

One of the very large dealerships on the DAB had an enormous unit increase, which brought the total up. The average DAB trailer dealer sold only 3.6 new units in January, compared to an average of six units for motorhome dealers.

Although the unit total wasn't large, used percentages were up. Trailer profits were very mixed, with ratings about equally distributed along the range from poor to excellent.

Truck Campers

For some inexplicable reason, DAB members who stock campers didn't fare well in January. The 48% decrease for new units compared to January of last year was somewhat misleading because it didn't represent many units, but the fact that only half as many units were sold this January compared to last year was striking. Yet, considering the rather good year that this RV type had in 1987, it isn't likely that this is setting a trend.

Used units fared quite well in contrast, with a 50% increase. Profits were rated as excellent.

Folding Camping Trailers

Most fold-down dealers on the DAB took it on the chin in January, particularly the large dealers who normally get impressive numbers at early shows. All were well behind last year's figures for new units. Used sales were slightly down as well. As with other categories, profit ratings were quite mixed with about equal numbers of ratings from poor to excellent.

Fifth-wheels

As with other towables, this category dropped a few percentage points for the month. January traditionally is not a good fiver month, and this year was no exception. Six of the 16 DAB memers who stock fivers made no sales, and seven others sold only one unit each. Used sales were up slightly. Profits were mixed. Δ

	NEW UNITS						USED UNITS					
	FOR MONTH			YEAR-TO-DATE			FOR MONTH			YEAR-TO-DATE		
	JAN. 1988	JAN. 1987	% CHANGE	1988	1987	% CHANGE	JAN. 1988	JAN. 1987	% CHANGE	1988	1987	% CHANGE
MOTORHOMES	110	74	+49	110	74	+49	106	98	+ 8	106	98	+ 8
TRAVEL TRAILERS	75	76	– 1	75	76	– 1	66	54	+22	66	54	+22
TRUCK CAMPERS	11	21	–48	11	21	–48	10	5	+50	10	5	+50
CAMPING TRAILERS	64	91	–30	64	91	–30	7	8	–13	7	8	–13
FIFTH-WHEELS	21	24	–14	21	24	–14	12	10	+20	12	10	+20

	FOR MONTH			YEAR-TO-DATE		
	JAN. 1988	JAN. 1987	% CHANGE	1988	1987	% CHANGE
SALES VOLUME	$9,799,790	$7,884,278	+24	$9,799,790	$7,884,278	+24
TOTAL UNIT SALES	482	461	+ 5	482	461	+ 5
NEW-UNIT SALES	281	286	– 2	281	286	– 2
USED-UNIT SALES	201	175	+15	201	175	+15

The "DAB Perspective" is a compilation of data provided by *RV Business*' Dealer Advisory Board (DAB), a group comprised of 24 dealers representing a cross section of the U.S. dealer body.

Gaylord Maxwell, chairman; **Dave Altman,** Baldwin Park, Calif.; **Robert Azevedo,** Sunnyvale, Calif.; **Jack Cole,** Pacoima, Calif.; **Dick Dassen,** Victor, N.Y.; **Bill De Groot,** Junction City, Ore.; **Crosby Forrest,** Newport News, Va.; **Danny Gamel,** Fresno, Calif.; **Jerry Greer,** Columbus, Ohio; **Jerry Harrison,** Waco, Texas; **Dottie Helgason,** Seattle, Wash.; **Newton Kindland,** Orlando, Fla.; **Ozzie Lenhard,** Sayville, N.Y.; **Larry McClain,** Oklahoma City, Okla.; **Annette Autry-Miller,** Fayetteville, N.C.; **Jack Moran,** Warwick, R.I.; **Mike Peay,** Albuquerque, N.M.; **Edward Peterson,** Lafayette, Ind.; **William Pifer,** Warren, Mich.; **Tom Schaeffer,** Shoemakersville, Pa.; **Mel Shipp,** Chattanooga, Tenn.; **Jack Sissemore,** Amarillo, Texas; **Bill Thomas,** Bridgeton, Mo.; **Randy Thompson,** Crystal Lake, Ill.; **Larry Washburn,** Lakewood, Colo.

This report is an attempt to reflect the current retail sales picture; it does not purport to indicate RV production or factory sales to dealers.

SHIPMENTS FORECAST TO PLATEAU IN '88

MORTON J. MARCUS

With this issue of *RV Business*, Indiana University's collaborative effort with TL Enterprises Inc., Agoura, Calif., presents a more detailed forecast for the RV industry. When these forecasts started, our efforts were limited to total RV shipments. Then, with some experience under our belts, we expanded to three categories (towables, motorhomes and van conversions). Now, with more refinement of our models, we are able to present still more detail. Below, readers will find a 1988 forecast for seven RV classifications.

This increased detail, we believe, will also increase the accuracy of our forecasts. To date, the record has not been bad; now, it could be even better.

FIGURE 1

1988 GROWTH RATES

(Quarterly percent changes at annual rates)

	1987:4	1988:1	1988:2	1988:3	1988:4
Real GNP	4.2	–2.4	2.0	4.2	4.5
Consumer spending	– 3.4	0.7	1.3	3.1	2.9
Business investment	– 3.6	3.4	5.6	8.1	8.6
Exports	16.2	8.3	8.8	8.7	8.2
Imports	6.3	1.0	3.2	3.2	4.0

FIGURE 2

KEY FACTORS IN 1988

	1987:4	1988:1	1988:2	1988:3	1988:4
Prime interest rate	8.8	8.4	8.2	8.2	8.5
Percent change at annual rates:					
Money supply (M-2)*	4.4	5.3	5.5	6.6	6.5
Consumer Price Index	3.6	4.0	3.5	3.6	3.8
Motor-fuel prices	0.6	8.6	7.3	6.2	5.0

**M-2 consists of the nation's basic money supply of currency, plus demand deposits, plus savings accounts at commercial banks.*

The National Forecast

Did you miss it? Were you asleep when it happened? Or did it fail to happen at all?

The great, inevitable recession that was to follow the stock-market decline of Oct. 19, 1987, did not occur.

The current forecast anticipates a progressive improvement in the national economy during 1988. We expect that real gross national product (GNP), the broadest measure of economic performance adjusted for price movements, will advance by just 2%, compared to a 2.9% growth in 1987. The earliest part of 1988, for which we will have data very soon, is expected to come in with a decline in real GNP. That news will mislead some journalists, politicians and businesspeople into accepting the idea that we are in a recession. The first-quarter numbers will be low because we had some very high numbers at the end of 1987, which will not be repeated.

For example, in the last quarter of 1987, auto companies developed big inventories because they did not sell the cars they insisted on building. In the first quarter of 1988, production has been brought down to more reasonable levels, but it appears in our GNP data as a decline in activity.

Actually, as we view it, the economic performance of the nation is improving. Consumer spending seems to be picking up in the first quarter from a sluggish last quarter of 1987. As the year goes along, we expect consumer spending to improve still further. Add to this, the following:

- Business investments are expected to rise during 1988.
- Exports should do far better than imports.

Now, you have the economy of 1988 looking good—not great—but good. The year gets even stronger as we move toward 1989. *(See Figure 1.)*

This forecast is based on the belief that the Federal Reserve Board will keep the money supply growing moderately, thereby allowing interest rates to respond to market forces.

The improved economy will mean a continued downward trend in the unemployment rate. As labor markets tighten, there should be some upward movement in consumer prices, but the increase for the year will still average below 4%. Motor-fuel prices, which rose by 4% in 1987, are expected to rise by nearly 8% in 1988. *(See Figure 2 for the quarter-to-quarter numbers.)*

The RV Forecast

A mixed forecast for the RV industry for 1988 is clearly seen. *(See Figure 3.)* The industry shows virtually no change in shipments. The decline of 0.2% (800 units) is equivalent to statistical noise. The basic picture is upbeat for five of the seven types of RV units, but growth rates in virtually all cases are down.

After a strong 1987, in which shipments advanced by 34% (2,600 units), truck campers are expected to slow to a 22% (2,300 units) increase. In similar fashion, after growing by 23% (7,600 units), Class A motorhomes will slow down to a 12% growth rate, with an additional 4,900 units shipped in 1988.

The big-volume growth leader will be the 7,000-unit increase (16.6%) of shipments for folding-camping trailers. If realized, this will be an improvement over the 4,900 added units (a 13.1% growth rate) recorded by these popular towables in 1987.

The drag on the industry comes from just two sources. Travel trailers (which includes conventional units plus park models and fifth-wheels) are expected to have a 5% decline (down 4,900 units), which will bring their level back to about the same number of units shipped as in 1986. The biggest volume decline is anticipated in van conversions. This market, which hardly grew at all in 1987 (up just 600 units) is expected to fall by 11,600 units (6.4%) in 1988.

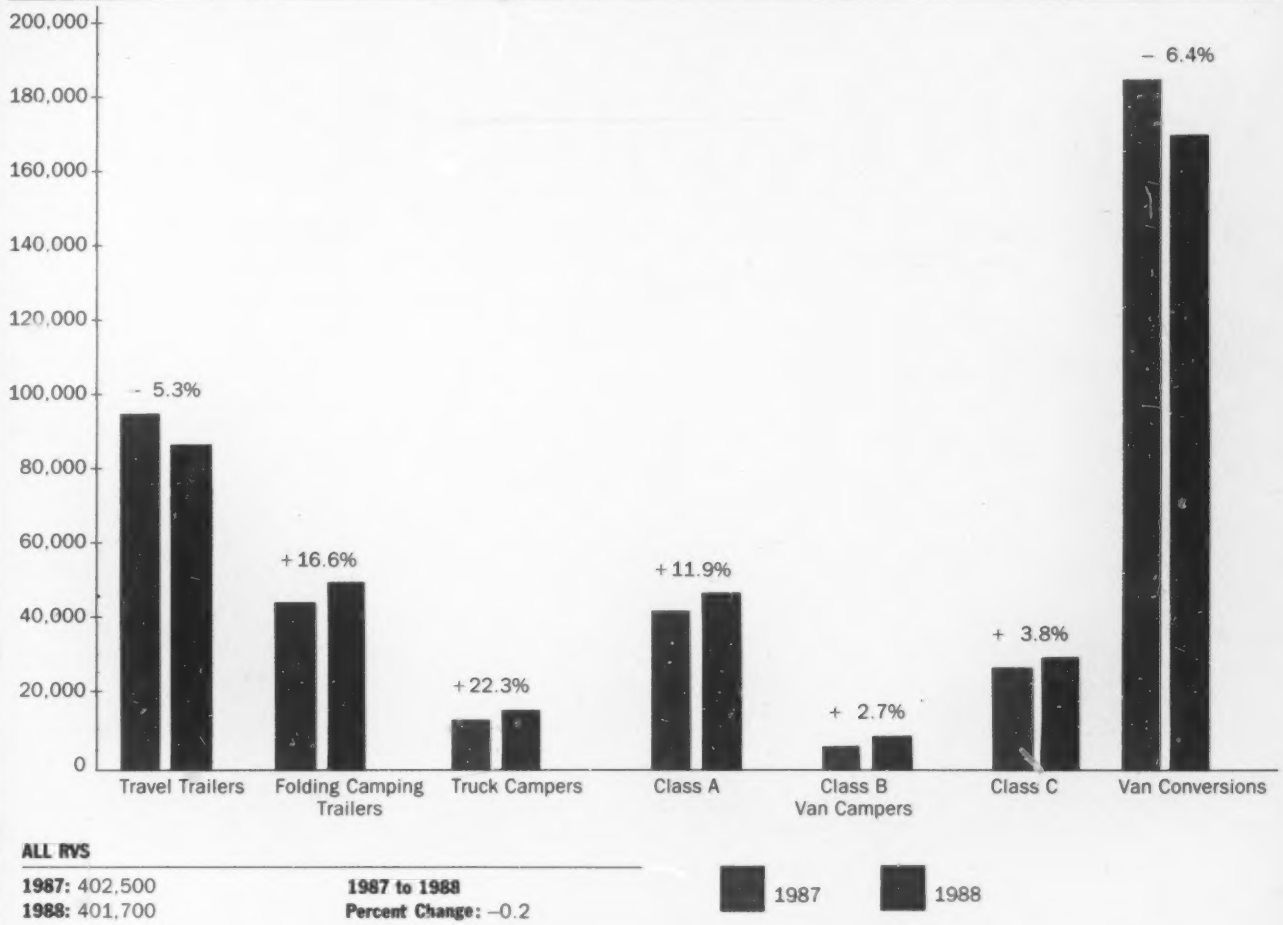
These differential growth patterns will have an impact on market shares. *(See Figure 3.)* Just two years ago, it looked as if van conversions would exceed 50% of the market. Now, they seem to be in retreat as the market adjusts to changing consumer tastes.

Why are there such big variations in changes forecast for the different types of recreational vehicles? Answer: Each type of unit has responded differently to economic changes in the past, and our models consider these differential patterns in each forecast. The effect of interest rates for some types of units is far more important than for others. Changes in consumers' disposable income will be a critical factor for some classes of RVs, but of little significance for others. In a future article, we will detail these forces.

QUARTERLY FORECAST

FIGURE 4

RV SHIPMENTS FORECAST



ALL RVS

1987: 402,500
1988: 401,700

1987 to 1988 Percent Change: –0.2

Normally, we look to the second quarter for heavy shipments of RVs. April and May are the strongest months for many types of units. We do not doubt that those months will be strong again this year, but we wish to note that our model indicates that the second quarter will be the slowest of the year. *(See Figure 4.)* In a year that is almost perfectly flat, we expect that, after adjustment for normal seasonal factors, the second quarter will be the weakest of all. Then the pace should pick up, but only mildly.

FIGURE 3

GROWTH PATTERNS

	1987	1988
Towables	36.1%	37.2%
Motorhomes	18.6	20.3
Van conversions	45.3	42.5
Totals	100.0	100.0

A Peek Ahead

The advance indications for 1989 are for improved shipments, averaging about 4% better than 1988. The problem area for 1989 might be Class A motorhomes, if interest rates keep rising. We will report on that and other forces in the RV market when we have less mist in the crystal ball for 1989. That should be about the time of our next quarterly forecast—three months from now. Δ

FIGURE 5

RV SHIPMENTS FORECAST

(Quarterly data seasonally adjusted)

	1988:1	1988:2	1988:3	1988:4	Total
All RVs	100,300	99,300	100,200	101,900	401,700
Towables:					
Travel trailers	22,300	21,400	21,600	22,400	87,700
Folding camping trailers	11,900	12,200	12,500	12,700	49,300
Truck campers	3,000	3,100	3,200	3,300	12,600
Motorhomes:					
Class A	11,300	11,500	11,600	11,600	46,000
Class B van campers	1,800	1,900	1,900	2,000	7,600
Class C	6,700	6,800	7,000	7,100	27,600
Van conversions	43,300	42,400	42,400	42,500	170,600

Morton J. Marcus, director of the Indiana Business Research Center at the Indiana University School of Business, is an economic consultant to TL Enterprises Inc., Agoura, Calif. This forecast is based on the "Quarterly Outlook," prepared by the Indiana Econometric Model Project, R. Jeffery Green, director. The RV forecast was produced by Lee A. Craig and Marcus.